

TARIFF ACTION MEMO

Date: May 19, 2022

Date Filed: April 12, 2022

Statutory End Date: May 27, 2022

File No: TA198-88

Name of Utility: G&K, Inc. (G&K)

Subject: Fuel Cost Rate Adjustment (FCRA) and Power Cost Equalization (PCE) Update

Recommendation

Staff recommends the Commission:

1. Approve Tariff Sheet No. 27.1, filed April 12, 2022, and Tariff No. 27.2, filed May 6, 2022, by G&K, Inc. in TA198-88, as shown on the attached side-by-side tariff sheets (BA-1). The effective date of Tariff Sheet No. 27.1 should be April 12, 2022, and the effective date of Tariff Sheet No. 27.2 should be May 30, 2022.

Please see attached Staff Memorandum supporting the above recommendation.

Signed: Becki Alvey
Becki Alvey

Title: Utility Tariff Analyst

Commission decision regarding this recommendation:

	<u>Date (if different from 5/19/2022)</u>	<u>I Concur</u>	<u>I Do Not Concur</u>	<u>I Will Write A Dissenting Statement*</u>
Pickett		<u>RMP</u>		
Kurber		<u>KKT</u>		
Scott		<u>AGS</u> AGS		
Sullivan		<u>DS</u> DS		
Wilson		<u>JW</u>		

* If this column is initialed, Staff will contact the Commissioner for the statement; otherwise, the dissent will simply be noted at the close of the By Direction letter or order.

MEMORANDUM

To: Robert M. Pickett, Chairman
Keith Kurber II
Antony Scott
Daniel A. Sullivan
Janis W. Wilson

Date: May 19, 2022

From: Becki Alvey, Utility Tariff Analyst

Subject: FCRA/PCE

Recommendation

Staff recommends the Commission:

1. Approve Tariff Sheet No. 27.1, filed April 12, 2022, and Tariff No. 27.2, filed May 6, 2022, by G&K, Inc. in TA198-88, as shown on the attached side-by-side tariff sheets (BA-1). The effective date of Tariff Sheet No. 27.1 should be April 12, 2022, and the effective date of Tariff Sheet No. 27.2 should be May 30, 2022.

Filing

G&K now submits TA198-88, its FCRA and PCE amount update for the period beginning April 12, 2022. G&K filed Tariff Sheet Nos. 27.1 and 27.2 with TA198-88, and requested Tariff Sheet No. 27.1 be effective April 12, 2022, and Tariff Sheet No. 27.2 be effective May 30, 2022. G&K filed one supplement to TA198-88, revising Tariff Sheet No. 27.2.¹

The FCRA is calculated as follows:

$$\frac{\text{Current Fuel Cost} - \text{Base Cost of Fuel}}{\text{Fuel Efficiency}}$$

Fuel Efficiency = Twelve Month Average of (kWh sold / Fuel Consumption)

G&K submitted documentation to verify the fuel price increase and a summary of kWh sales and diesel fuel consumption for the 12-month period ending January 31, 2022.

Analysis/Discussion

FCRA Increase

The proposed FCRA is \$0.4193/kWh, which represents a \$0.0371 increase from the currently approved FCRA surcharge of \$0.3822/kWh.

¹ See TR2202051, filed May 6, 2022.

The current cost of fuel increased from \$4.97 per gallon to \$5.37 per gallon on January 21, 2022, which increases the average cost per kWh for the utility. An increase in the average cost per kWh places upward pressure on the FCRA surcharge.

Annual fuel efficiency has increased from 10.6602 kWh per gallon to 10.6710 kWh per gallon.² An increase in fuel efficiency decreases the average cost of power for the utility and places downward pressure on the FCRA surcharge.

The overall effect of the increase in diesel fuel price and increase in diesel fuel efficiency is an increase in G&K's FCRA surcharge.

PCE Increase

In TA198-88 G&K proposes a PCE amount of \$0.5698/kWh for residential customers and a PCE amount of \$0.5583/kWh for commercial and industrial customers. This is an increase from the current PCE amounts of \$0.5327/kWh for residential customers and \$0.5212/kWh for commercial and industrial customers. Staff notes that G&K met the regulatory generation efficiency and line loss standards. The calculation of the PCE amounts is attached as BA-2.

The Staff recommends approval of the following levels to be effective for billing on or after May 30, 2022.

Residential	\$0.5698/kWh
Commercial	\$0.5583/kWh
Industrial	\$0.5583/kWh

The effect of the proposed surcharge and PCE level on a customer's bill of 500 kWh is shown in Table 1.

² Staff verified that G&K used the twelve-month average for its fuel efficiency as stated in its tariff.

TABLE 1

Sample Residential Customer Billing - 500 kWh Usage				
Line	Description	Current Rates	Proposed Rates	Change from Current Rate
1	FCRA Surcharge (\$/kWh)	\$ 0.3822	\$ 0.4193	\$ 0.0371
2	PCE Surcharge (\$/kWh)	0.5326	0.5698	0.0372
3	500 KWH CUSTOMER BILL			
4	Customer Charge	\$ 12.50	\$ 12.50	\$ -
5	Energy @ \$0.3248/kWh	162.40	162.40	-
6	RCC @ \$0.001016/kWh	0.44	0.44	-
7	FCRA Surcharge (\$/kWh)	191.10	209.65	18.55
8	PCE Surcharge (\$/kWh)	(266.30)	(284.90)	(18.60)
9	Total Customer Bill	<u>\$ 100.14</u>	<u>\$ 100.09</u>	<u>\$ (0.05)</u>

Tariff Sheets

Staff reviewed Tariff Sheet Nos. 27.1 and 27.2. Staff notes that G&K filed a revised Tariff Sheet No. 27.2 on May 6, 2022. Staff has verified that the proposed surcharge and amounts were calculated accurately using G&K's approved methodology, the proper support was filed, and the tariff sheets are correct.


Conclusion


With TA198-88, G&K requests approval of its revised FCRA and PCE level. Based on the discussion above, Staff recommends the Commission approve Tariff Sheet No. 27.1, filed April 12, 2022, and Tariff No. 27.2, filed May 6, 2022, by G&K, Inc. in TA198-88. The effective date of Tariff Sheet No. 27.1 should be April 12, 2022, and the effective date of Tariff Sheet No. 27.2 should be May 30, 2022.

Signature: 
Email: bob.pickett@alaska.gov

Signature: 
 Keith Kurber II (May 19, 2022 08:03 AKDT)
Email: keith.kurber@alaska.gov

Signature: 
Email: antony.scott@alaska.gov

Signature: 
 Daniel Sullivan (May 19, 2022 10:54 AKDT)
Email: daniel.sullivan@alaska.gov

Signature: 
 Janis W. Wilson (May 19, 2022 11:51 AKDT)
Email: janis.wilson@alaska.gov

RCA No. 88 124th Revised Sheet No. 27.1
Cancelling 123rd Revised Sheet No. 27.1

RECEIVED
NOV 10 2021

STATE OF ALASKA
REGULATORY COMMISSION OF ALASKA

G & K, Inc.

FUEL COST RATE ADJUSTMENT

The Surcharge for increased fuel costs is as follows for billings rendered after the effective date set forth below:

$$\begin{array}{rclcl} \text{Surcharge} & = & \frac{\begin{array}{r} \text{(Current Fuel Cost)} \\ \$4.97 \text{ Per Gal.} \end{array} - \begin{array}{r} \text{(Base Fuel Cost)} \\ \$0.896 \text{ Per Gal.} \end{array}}{\begin{array}{r} \text{(Twelve Month Average Kwh Sold / Gal. Diesel)} \\ 10.6602 \end{array}} & = & \underline{\underline{\$0.3822 \text{ Per Kwh}}} & \text{I} \end{array}$$

Tariff Advice No. **TA197-88**

Effective: **November 10, 2021**

Issued by: G & K, INC.

By: Gary L. Ferguson

Title: President

RCA No. 88 125th Revised Sheet No. 27.1

Cancelling 124th Revised Sheet No. 27.1

G & K, Inc.

FUEL COST RATE ADJUSTMENT

The Surcharge for increased fuel costs is as follows for billings rendered after the effective date set forth below:

$$\begin{array}{rclcl} \text{Surcharge} & = & \frac{\begin{array}{r} \text{(Current Fuel Cost)} \\ \$5.37 \text{ Per Gal.} \end{array} - \begin{array}{r} \text{(Base Fuel Cost)} \\ \$0.896 \text{ Per Gal.} \end{array}}{\begin{array}{r} \text{(Twelve Month Average Kwh Sold / Gal. Diesel)} \\ 10.6710 \end{array}} & = & \underline{\underline{\$0.4193 \text{ Per Kwh}}} & \text{I} \end{array}$$

Tariff Advice No. TA198-88 Effective: April 12, 2022

Issued By: G & K, Inc.

By: /s/ Gary L. Ferguson Title: President



RCA No. 88 141st Revision Sheet No. 27.2
 Canceling
140th Revision Sheet No. 27.2

G&K, Inc.

RECEIVED
December 30, 2021
 STATE OF ALASKA
 REGULATORY COMMISSION OF ALASKA

POWER COST EQUALIZATION

The following conditions apply to Power Cost Equalization (PCE) eligibility:

1. Residential customers are eligible for PCE for actual consumption of not more than 500 kilowatt-hours per month.
2. Customers that are classified as local community facilities are eligible for PCE, calculated in the aggregate for each community served by the utility for actual consumption of not more than 70 kilowatt-hours per month for each resident of the community. The number of community residents shall be determined under AS 29.60.020.
3. Customers not listed above are not eligible for PCE.

If appropriations are sufficient for payment in full, the amount of Power Cost Equalization to be credited to the bills of all eligible customers rendered on or after the effective date set forth below, is as follows:

Rate Schedule		PCE Amount	
R	Residential	\$0.5327 /kWh	I
C	Commercial*	\$0.5212 /kWh	I
I	Industrial*	\$0.5212 /kWh	I

*Subject to the conditions noted above

Pursuant to U-21-019(B) Effective January 1, 2022

Issued By: G&K, Inc.
 By: Gary L. Ferguson Title: President

RCA No. 88 142nd Revised Sheet No. 27.2
~~141st~~
 Canceling
140th Revised Sheet No. 27.2



G & K, Inc.

POWER COST EQUALIZATION

The following conditions apply to Power Cost Equalization (PCE) eligibility:

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3. Customers not listed above are not eligible for PCE.

If appropriations are sufficient for payment in full, the amount of Power Cost Equalization to be credited to the bills of all eligible customers rendered on or after the effective date set forth below, is as follows:

Rate Schedule		PCE Amount	
R	Residential	0.5598 Cents/kWh	I
C	Commercial*	0.5583 Cents/kWh	I
I	Industrial*	0.5583 Cents/kWh	I

*Subject to the conditions noted above

Tariff Advice No. TA198-88 Effective: May 30, 2022

Issued by: G & K, INC.
 By: Gary L. Ferguson Title: President

G&K, Inc.
POWER COST EQUALIZATION

Calculation of Power Cost Equalization			
Line	Description	Prior Commission Determination (\$/kWh)	Updated Commission Determination (\$/kWh)
A	Non-Fuel Power Costs	0.3529	0.3405
B	Fuel Power Costs	0.4662	0.5032
C	Total Power Costs	0.8192	0.8437
D	Total Costs Less \$0.2003/kWh	0.6189	0.6434
E	95% of Total Power Costs	0.5879	0.6113
F	Statutory Maximum [(1-0.2003)*0.95]	0.7597	0.7597
G	Lesser of E or F	0.5879	0.6113
H	Customer Class Rate		
	Residential	0.5327	0.5698
	Commercial	0.5212	0.5583
	Industrial	0.5212	0.5583
I	Power Cost Equalization - Lesser of G or H		
	Residential	0.5327	0.5698
	Commercial	0.5212	0.5583
	Industrial	0.5212	0.5583
J	Power Cost Equalization - After Reduction	100%	100%
	Residential	0.5327	0.5698
	Commercial	0.5212	0.5583
	Industrial	0.5212	0.5583

Amendment to Allowable Costs		
Line	Description	Amount
1	NON-FUEL COSTS - U-85-048	
2	Allowable Non-Fuel Cost	\$ 687,332
3	Twelve Month Total kWh Sales	2,024,593
4	Regulatory Cost Charge	\$ 0.001016
5	Total Non-Fuel Power Costs	0.3405
6	FUEL COSTS	
7	Current Fuel Price	\$ 5.3700
8	Annual Fuel Consumption (gallons)	189,729
9	Annual kWh Sales (kWh)	2,024,593
10	Total Fuel Power Costs per kWh	0.5032
FCRA Surcharge Calculation		
Line	Description	Amount
1	Current Fuel Price	5.370
2	Less Base Cost of Fuel	0.896
3	Total	4.474
4	Annual kWh Sales	2,024,593
5	Annual Fuel Consumption	189,729
6	Efficiency	10.6710
7	FCRA Surcharge	\$ 0.4193

Calculation of Average Customer Class Rate per kWh									
Line	kWh (by Block)	Rate (\$/kWh)	Customer Charge	FCRA Surcharge (\$/kWh)	RCC (\$/kWh)	Total Rate (\$/kWh)	Total (\$)	Average Rate (\$/kWh)	Average Rate Less \$0.2003/kWh (\$/kWh)
1	Residential	0.3248	12.50	0.4193	0.001016	0.7451	385.04	0.7701	0.5698
2	Commercial	0.3133	12.50	0.4193	0.001016	0.7336	379.29	0.7586	0.5583
3	Industrial	0.3133	12.50	0.4193	0.001016	0.7336	379.29	0.7586	0.5583